



# Missouri Department of Natural Resources Energy Center

## MISSOURI ENERGY BULLETIN

October 5, 2006

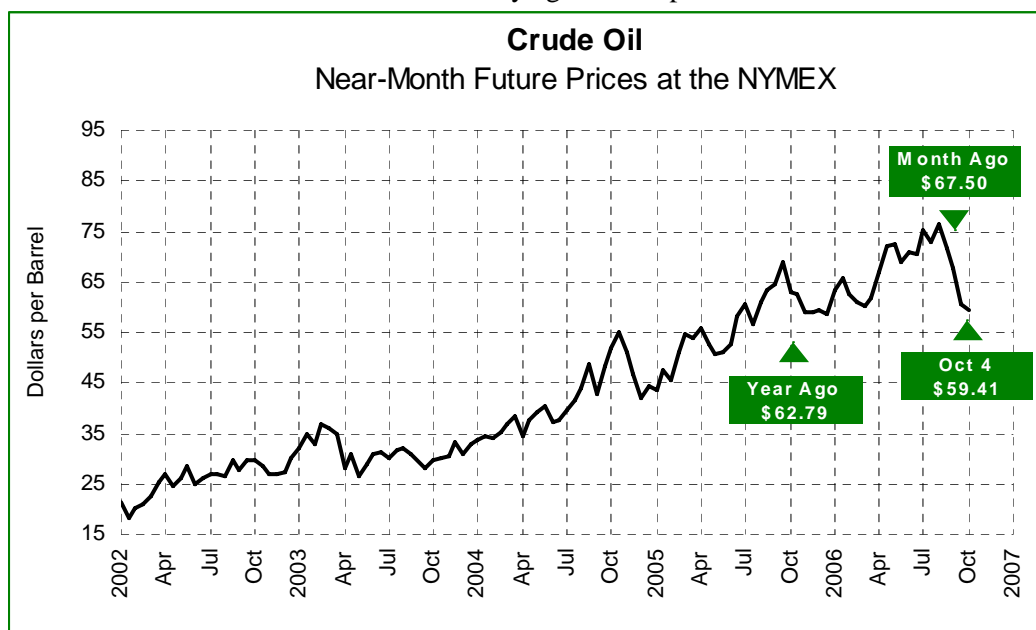
### Crude Oil

**On October 4, NYMEX oil futures for November delivery settled at \$59.41 per barrel in response to U.S. refineries operating at their lowest production rate since May 2006.**

*Crude Oil - Near Month Future Prices (dollars per barrel)*

	<u>10-04-06</u>	<u>09-06-06</u>	<u>change</u>	<u>10-05-05</u>	<u>change</u>
NYMEX	\$59.41	\$67.50	down 12%	\$62.79	down 5%

- Crude oil prices settled \$0.73 higher from the previous day at \$59.41 per barrel on Wednesday, October 4 following the U.S. Department of Energy's (USDOE) weekly storage report showed U.S. refineries were operating at the lowest rate since May. A report of an accident and closing of a Valero refinery in Texas helped support higher prices.
- Crude oil prices fell to a 7-month low on Tuesday, October 3 at \$58.58 in response to swelling U.S. and global oil supplies and a decline in consumer demand for petroleum products. At \$59.41 per barrel, prices have dropped nearly \$19 per barrel or 31 percent since mid-July's peak of nearly \$78.
- Trader fears are also at play with several reports that reflect OPEC's intentions to scale back oil production by as much as 1 million barrels per day. Niger, Kuwait and Venezuela have called for a reduction by all OPEC member nations to help maintain a price level above \$60 per barrel. Recent reports indicate that Saudi Arabia has tentatively agreed to a production cut as well.



- For the week, U.S. refineries reduced operations by 2.6% to 90.8 percent capacity compared to last year's 68.8 percent in the aftermath of Hurricane Katrina. U.S. refineries have reduced gasoline output by 358,000 barrels per day and distillate output by 71,000 per day. Refinery inputs are 573,000 barrels lower from the prior week at nearly 15.3 million barrels of crude oil per day. At this level, refinery inputs are still 3.6 million barrels per day higher when compared to the same period last year.
- U.S. crude oil supplies increased 3.3 million barrels to 328.1 million barrels for the week ending September 29, according to the USDOE. U.S. crude production remained steady at 5.2 million barrels per day and is significantly higher compared to last year's post-Katrina production at just 3.8 million barrels. Crude imports fell by 0.5 million barrels per day last week to 10.5 million barrels per day. At this time last year, crude imports were 8.1 million barrels per day.

### ***Transportation Fuels***

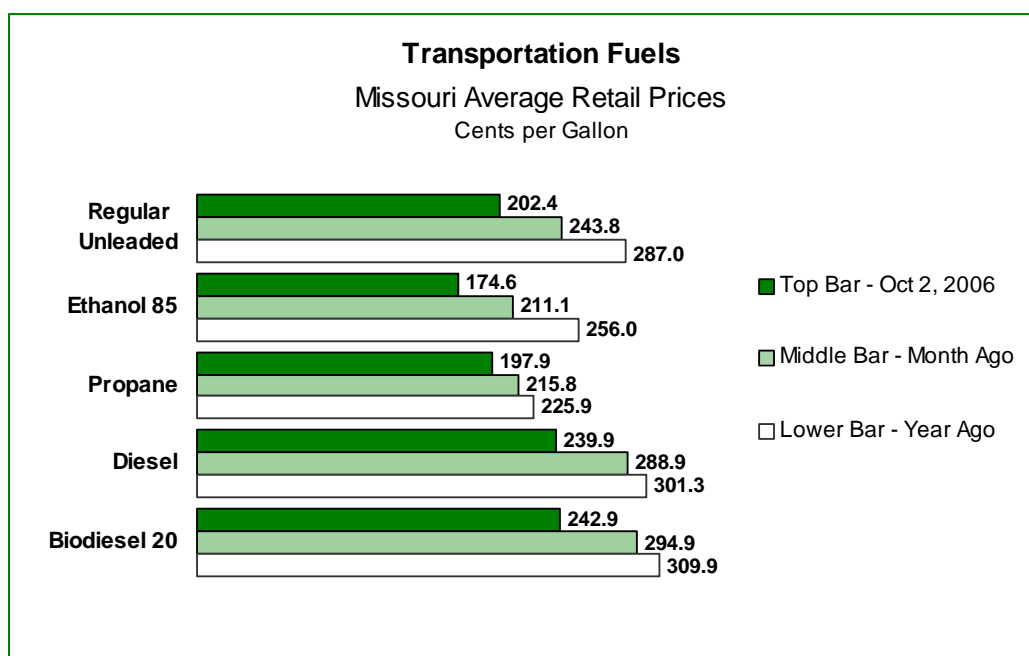
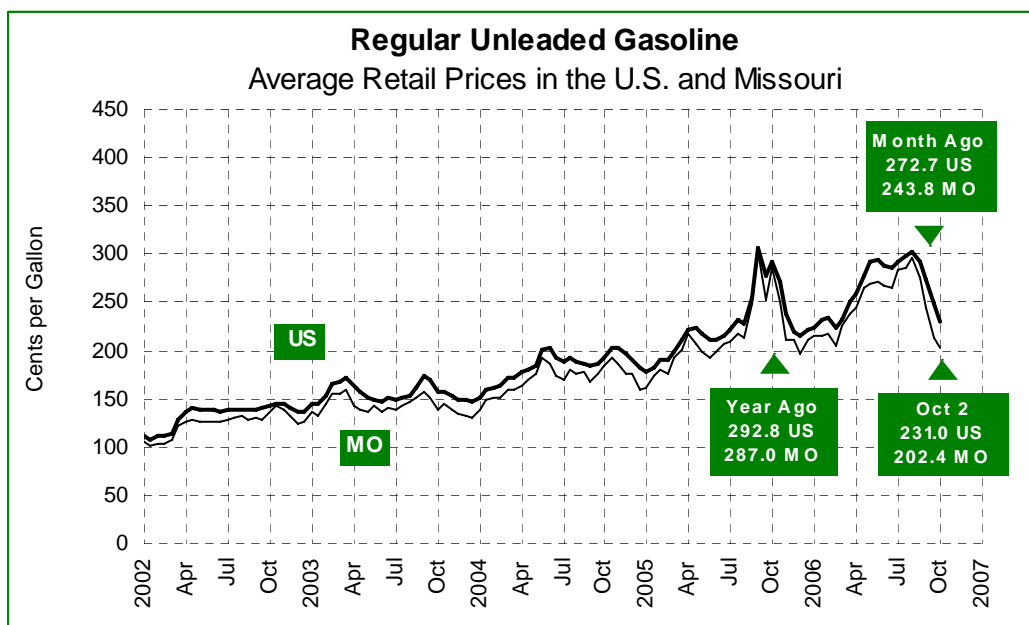
**On October 2, Missouri's average retail price for regular unleaded gasoline was \$2.02 per gallon, a decrease of \$0.41 or 17 percent since last month and about \$0.85 or 29 percent lower than the average retail price a year ago.**

<i>Regular Unleaded Gasoline - Retail Prices (cents per gallon)</i>					
	<u>10-02-06</u>	<u>09-04-06</u>	<u>change</u>	<u>10-03-05</u>	<u>change</u>
US	231.0	272.7	down 15%	292.8	down 21%
Missouri	202.4	243.8	down 17%	287.0	down 29%

<i>Diesel Fuel - Retail Prices (cents per gallon)</i>					
	<u>10-02-06</u>	<u>09-04-06</u>	<u>change</u>	<u>10-03-05</u>	<u>change</u>
US	254.6	296.7	down 14%	314.4	down 19%
Missouri	239.9	288.9	down 17%	301.3	down 20%

- On October 2, Missouri's statewide average gasoline retail price was down 41 cents while diesel retail prices decreased 49 cents from last month. Missouri gasoline prices are 29 percent lower while diesel fuel prices are 20 percent lower than October 2005. Missouri's average gasoline price is 29 cents lower than the U.S. average of \$2.31 per gallon and diesel prices are about 15 cents lower than the U.S. average of \$2.55 per gallon.
- Wholesale gasoline prices in Missouri continued their descent last week falling along with crude oil prices. Missouri bulk terminal average rack prices are range-bound at \$1.55 to \$1.60 per gallon (excluding federal and state excise tax). However, prices are beginning to move higher along with the recent upswing in crude oil values.
- On October 2, Missouri's average retail price for E85 (regular gasoline containing 85 percent ethanol) was \$1.75 per gallon, down 37 cents per gallon or 17 percent from last month. At \$1.75 per gallon, E85 is 27 cents or 13 percent lower than the average price of regular unleaded gasoline.
- Distillate stocks built nationally by a modest 0.2 million barrels compared to 4.1 million barrels two weeks ago. Inventories are up by 24 million barrels from last year and may suggest that distillates are now export-bound since production and imports are slightly lower and implied demand slightly higher.
- Ultra-low-sulfur diesel (ULSD) output improved last week. Refiners are making about 2.54 million

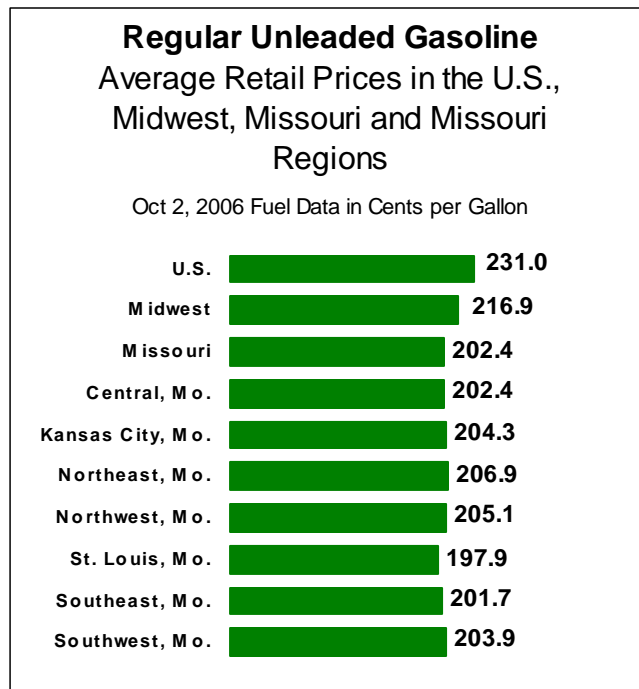
barrels per day of ULSD and supplies increased 3.6 million barrels nationally. Imports added another 155,000 barrels per day of ULSD.



Motor Gasoline - Total Stocks (millions of barrels)					
	09-29-06	09-01-06	change	09-30-05	change
US	215.1	206.9	up 4%	195.5	up 10%

- U.S. gasoline supplies improved 1.2 million barrels from a week ago to 215.1 million barrels and are 19.6 million barrels higher than last year's level at this time, trending well above the five-year average.
- Implied demand for gasoline fell last week to 9 million barrels per day, a decline of well over 200,000 barrels per day from the prior week and continuing a downward trend since September 1. Gasoline

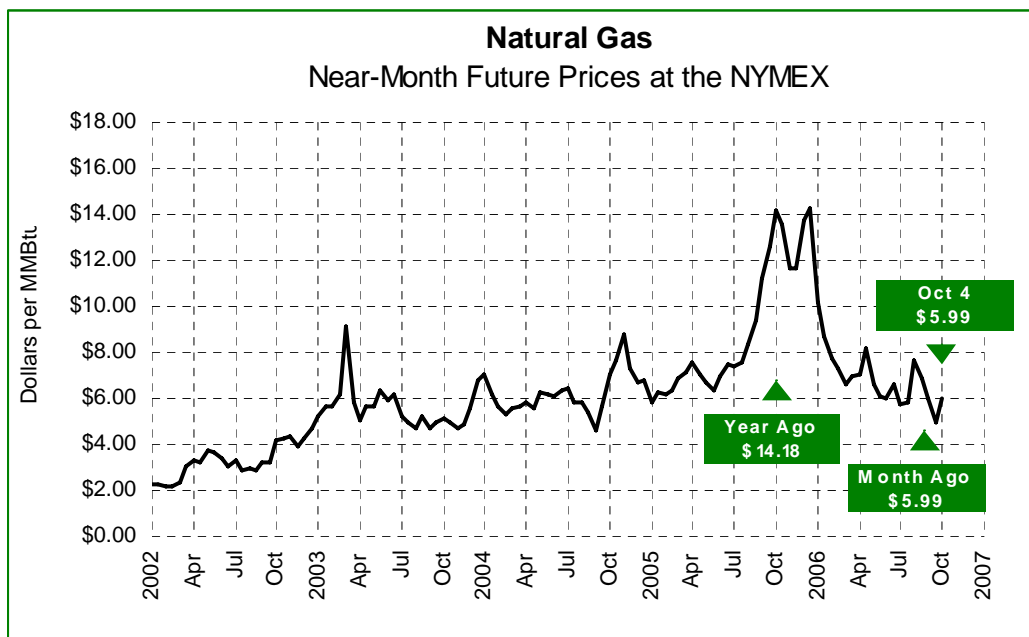
demand is 2.7 percent higher compared to the same period last year following Hurricane Katrina.



## Natural Gas

On October 4, natural gas futures closed at \$5.99 per MMBtu compared to \$4.93 just two weeks ago, an increase of 22 percent and unchanged from the month-ago settlement price.

Natural Gas - Near Month Future Prices (dollars per mmbtu)					
	<u>10-04-06</u>	<u>09-06-06</u>	<u>change</u>	<u>10-05-05</u>	<u>change</u>
NYMEX	\$5.99	\$5.99	none	\$14.18	down 58%



- The NYMEX futures contract for November delivery settled at \$5.99 per MMBtu on Wednesday, October 4, climbing 55 cents or 6 percent on the week. Compared to a year ago, prices were down

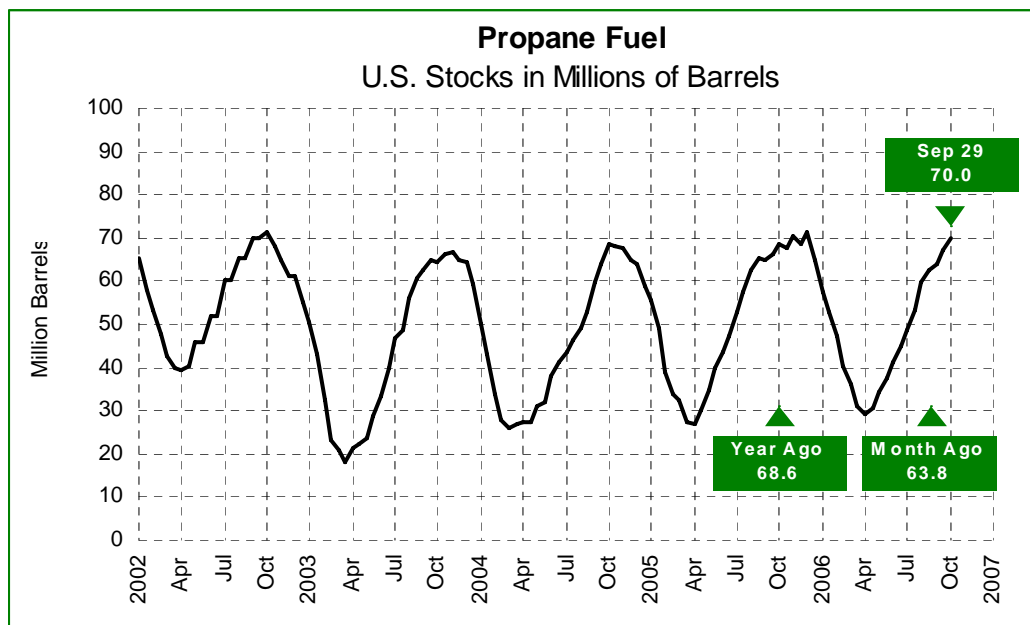
\$8.19 representing a 58 percent decrease in the settlement price of \$14.18. A voluntary reduction in natural gas production by the industry and increased demand for natural gas for electric generation as some coal and nuclear power plants were down for maintenance likely contributed to higher prices.

- The futures contracts for January through March 2007 strengthened slightly. The February 2007 contract closed slightly higher at \$8.43, an increase of \$0.19 per MMBtu in the past two weeks.
- Working gas in storage as of September 29 totaled 3,327 Bcf, which is 12 percent above the 5-year average inventory level for the week according to EIA's *Weekly Natural Gas Storage Report*. Supplies were 404 Bcf higher than last year at this time and 360 Bcf above the 5-year average of 2,967 Bcf.

## Propane

**On October 2, Missouri's average residential price for propane was \$1.62 per gallon, a decline of nearly 2 cents from last month and 7 cents or 4 percent from this time last year.**

Propane - Residential Prices (cents per gallon)					
	<u>10-02-06</u>	<u>09-04-06</u>	<u>change</u>	<u>10-03-05</u>	<u>change</u>
Missouri	162.0	163.8	down 1%	168.9	down 4%



- According to the Missouri Energy Center's bi-monthly winter heating season propane survey, the average retail price for residential propane was \$1.62 per gallon on October 2 compared to nearly \$1.64 per gallon on September 4. The current price is 7 cents or 4 percent lower than at this time last year.
- U.S. propane supplies improved by 1 million barrels last week and now stand at 70 million barrels as of September 29. Current U.S. propane supplies are 1.4 million barrels higher than at this time last year. Midwest inventories fell by 0.09 million barrels to nearly 26.2 million barrels last week compared to 23.9 million barrels at this time last year.

The Missouri Energy Bulletin is distributed twice a month by the Missouri Department of Natural Resources, Energy Center. The Energy Center collects transportation and propane heating fuel prices from several retail providers located throughout the state. To preserve confidentiality, price data are averaged and reported by region. The Bulletin is a public resource made available to state government decision-makers, other interested individuals upon request and on-line at the Energy Center Internet address. The department thanks each of the following in helping to provide accurate, timely data on fuel supplies and prices: the U.S. Department of Energy's Energy Information Administration; the National Association

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